PART IV

Section 1-C

GENERAL STATUTORY RULES AND STATUTORY ORDERS ISSUED BY THE CENTRAL GOVERNMENT AND ORDERS MADE BY THE PRESIDENT AND REPUBLISHED BY THE STATE GOVERNMENT.

Notification No. FD 172 PID 74

Bangalore, dated the.....June 1976.

The Governor of Karnataka is pleased to order the publication of the Additional Emoluments (Compulsory Deposit) Amendment Bill, 1976, as introduced in the Lok Sabha, in the *Karnataka Gazette* for general information.

By Order and in the name of the Governor of Karnataka,

G. S. KANEKAL,
Deputy Secretary to Government,
Finance Department.

No. F. 1 (5)-CD/76

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Economic Affairs)

CD—Special Cell

New Delhi, the 4th May 1976.

As Introduced in Loksabha on.—

Bill No. 53 of 1976

THE ADDITIONAL EMOLUMENTS (COMPULSORY DEPOSIT) AMENDMENT BILL, 1976

BILL

to amend the Additional Emoluments (Compulsory Deposit) Act, 1974.

BE it enacted by Parliament in the Twenty-seventh Year of the Republic of India as follows:—

1. **Short title**—This Act may be called the Additional Emoluments (Compulsory Deposit) Amendment Act, 1976.

2. Amendment of section 6.—In section 6 of the Additional Emoluments (Compulsory Deposit) Act, 1974, (37 of 1974) (hereinafter referred to as the principal Act), in clause (b) of sub-section (1), for the words "two years", the words "three years" shall be substituted.

3. Amendment of section 9.—In section 9 of the principal Act,—

(i) in sub-section (1),—

(A) for clause (b), the following clause shall be substituted namely :—

"(b) in the case of any amount credited to the Additional Dearness Allowance Deposit Account,—

(i) for any period ending on the 30th day of June, 1976, in cash, at any time after the expiry of two years from the appointed day ; and

(ii) for any period ending after the 30th day of June, 1976,—

(a) by crediting to the provident fund account of the employee, at any time after the expiry of a period of four years from the appointed day, if such employee is a subscriber to any provident fund ;

(b) in cash, at any time after the expiry of a period of four years from the appointed day, in the case of an employee who is not a subscriber to any provident fund ;".

(B) in the third proviso, for the words "either or both of the Deposit Accounts shall be repaid to him", the words "the Additional Wages Deposit Account shall be repaid to him in cash" shall be substituted ;

(ii) in sub-section (2),—

(a) for the words "any Deposit Account", the words "any Additional Wages Deposit Account" shall be substituted ;

(b) the words "or two years, as the case may be," shall be omitted ;

(iii) after sub-section (2), the following sub-sections shall be inserted namely :—

'(3) The aggregate amount credited to the Additional Dearness Allowance Deposit Account by or in relation to an employee for the period ending on the 30th day of June, 1976, shall, subject to the provisions of sub-section (5), be repaid, in cash, to the employee in five equal annual instalments commencing from the expiry of a period of two years from the appointed day, together with interest due on the whole

or, as the case may be, part of the amount of compulsory deposit which remains unpaid.

(4) The aggregate amount credited to the Addional Dearness Allowance Deposit Account by or in relation to an employee for the period commencing on the 1st day of July, 1976, and ending on the 5th day of July, 1977, together with interest due on the whole, or, as the case may be, part of the amount of compulsory deposit which remains unpaid, shall, subject to the provisions of sub-section (5), be repaid to the employee in five equal annual instalments commencing on the 6th day of July, 1978, and each such instalment shall be credited to the provident fund account of the employee :

Provided that the employer shall not be required to make any contribution under the Employees Provident Funds Act, 1952, (19 of 1952) or under any other law for the time being in force, in relation to the amounts so credited to the provident fund account of the employee :

Provided further that, in the case of the employees who do not subscribe to any provident fund, the aggregate amount so repayable shall be repaid in cash in five equal annual instalments commencing on the 6th day of July, 1978 ;

(5) On the superannuation, resignation or termination of employment of an employee, the whole of the amount standing to the credit of such employee in the Additional Dearness Allowance Deposit Account, shall be repaid,—

(a) in cash, in the case of any amount credited to the Additional Dearness Allowance Deposit Account for any period ending on the 30th day of June, 1976 ;

(b) in the case of any amount credited to the Additional Dearness Allowance Deposit Account for any period ending after the 30th day of June, 1976,—

(i) by crediting such amount to the provident fund account of such employee, if he is the subscriber of any such account, or

(ii). in cash, where such employee is not a subscriber to any provident fund.

Explanation.—For the purpose of this section, "provident fund" has the meaning assigned to it in section 2 (e) of the Provident Funds Act, 1925.', (19 of 1925.)

STATEMENT OF OBJECTS AND REASONS

The Additional Emoluments (Compulsory Deposit) Act, 1974, is one of the legislative measures which was enacted with a view to protecting the real incomes of industrial workers and salaried employees who were worst hit by the rise in prices. It provided, amongst others, for the impounding of one-half of the increases in dearness allowance. The objective of arresting the price spiral has been substantially achieved. But the need for controlling the expansion in money supply to consolidate the gains towards stability continues. The Bill, therefore, proposes that the period for deductions of additional dearness allowance, which is due to cease on the 6th day of July, 1976, should be continued for one year more.

While the additional dearness allowance deducted up to June 1976 will be repaid in the manner provided in the Act, the deductions made from July 1976 will be repaid in five equal annual instalments by crediting each such instalment to the provident fund account of the employee. Interest will be paid on the amounts so dedunted at the same rate, that is, 2½ per cent, above the maximum bank deposit rates, as for the amounts deducted up to June 1976, so long as such amounts remain in the Deposit Account. For the amounts credited to the provident fund, the employer will not be required to pay any matching contributions. In the case of an employee who does not subscribe to any provident fund, the amount deducted from July 1976 onwards will be repaid to him in cash in five equal annual instalments.

NEW DELHI;
The 15th April, 1976.

C. SUBRAMANIAM,

FINANCIAL MEMORANDUM

Clause 3 of the Bill provides for the repayment, in five equal annual instalments of the additional dearness allowance which is impounded under the provisions of the Act, as proposed to be amended by the Bill. According to the said clause, read with section 7 of the Additional Emoluments (Compulsory Deposit) Act, 1974, interest shall be payable on each instalment of dearness allowance, impounded after the 30th day of June, 1976, at a rate which shall be two and half per cent. over and above the maximum bank deposit rate.

The total deposits from impounding one-half of the additional dearness allowance during the period specified above cannot be estimated at this stage because dearness allowance is linked generally to the cost of living index and variations in the cost if living indices in future periods cannot be assessed now, more so, because of the declining price trend now evident. Since the volume of such deposits cannot now be quattified the actual interest liability cannot also be estimated. However for every Rs. 100 crores compulsorily deposited over a period of one year, the interest liability with reference to the current bank deposit rate will be about Rs. 44 crores. These interest payments, will be spread over five years from 1978-79 to 1982-83.

At present, the total cost of strengthening the adminstrative machinery of the Central Government and other agencies, like the Employees' Provident Fund Organisation, for effective enforcement of the provisions of the Act, is estimated at around Rs. 4 crores. Because of the amendment proposed in the Bill, the administrative machinery, earmarked for the above purpose, will have to be continued for a longer period. The cost involved in such continuance is likely to be around Rs. 2.5 crores recurring.

The Bill, if enacted, will not involve any other recurring or non-recurring expenditure.

ANNEXURE

EXTRACTS FROM THE ADDITIONAL EMOLUMENTS (COMPULSORY DEPOSIT) ACT, 1974

(37 of 1974)

* * * * *

6 Duty of employer or other person to make deductions of additional wages and additional dearness allwance from emoluments. (1) For the purposes of this Act, the deductions specified in sub-section (2) shall be made,—

* * * *

(b) in the case of additional dearness allowance, for a period of two years from the appointed day.

* * *

9. Repayment of deposits.—(1) Subject to the provisions of sub-section (2) every amount credited to the Deposit Accounts shall be repayable with interest due thereon,

* * * *

(b) in the case of an amount credited to the Additional Dearness Allowance Deposit Account at any time after the expiry of two years from the appointed day:

* * * * * *

Provided also that the whole of the amount standing to the credit of an employee (not being an employee in a seasonal establishment) in either or both of the Deposit Accounts shall be repaid to him on his superannuation or resignation from office or on the termination of his employment

(2) The aggregate amount credited to any Deposit Account by or in relation to an employee shall be repaid to the employee in five equal annual instalments commencing from the expiry of one year or two years, as the case may be, from the appointed day, together with interest due on the whole, or, as the case may be, part of the amount of compulsory deposit which remains unpaid.

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